

BRITISH SOCIALISM'S CRISIS OF FAITH

The Bankruptcy That Comes of Success

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THE British Labor party, it is fair to say, suffers from the exhaustion that often comes with success. It would also be fair to say that it suffers from the exhaustion that comes with failure. For, like other historic revolutions, the Labor party's "cautious revolution" of 1945-50 found that real achievements are frequently accompanied by frustrated ideals.

In its six years of office, Labor realized, more fully than is given most administrations, the program on which it had campaigned its way to office. That program had been a consciously limited one; it did not set out to achieve immediately the socialist dream for which the Labor party had been agitating for half a century. Before having to step down, Labor had resoundingly vindicated the gradualist approach, and proved to a doubting world that socialists were serious

IN BRITAIN'S recent municipal and county elections, the Labor party scored impressive gains. To some extent, no doubt, this merely reflects a natural dissatisfaction with the continuing austerity of life under a Conservative government, despite its campaign promise of "more red meat." But, in the opinion of many observers, it also presages a return of Labor to power in the next national election. All the more important, then, is the question: what does Labor want? Having accomplished its most pressing aims during its past five years in office, what is Labor's program for the future? This question has been causing Labor's theoreticians to lose more than a little sleep; and the various answers proposed indicate Labor is aware that a fresh approach is necessary. Here, IRWIN ROSS reports on trends of current thinking on Britain's left. Mr. Ross's most recent article in COMMENTARY was "Big City Machines and Liberal Voters," in the October 1950 issue. He has also written frequently for the *Reader's Digest*, *Harper's*, and other periodicals; and he is the author of *Strategy for Liberals* (1949). Mr. Ross was born in Chicago in 1919 and was graduated from Harvard in 1940.

fellows who could both win power and exercise it effectively. Its electoral defeat, however, came at the very moment when it had exhausted its program and would have had to confront directly its more grandiose historic ambitions. Since last fall, it has been clear to all observers that Labor's next step, and indeed its whole future, have become problematic. The old *élan* is gone. Fresh thinking and new inspiration are needed. All of which provides a fitting occasion for a reappraisal of Labor's accomplishments and failures, as well as for some speculation as to its future course.

Labor did succeed, first of all, in attaining many of the goals—both immediate and ultimate—of old-line social democracy. It nationalized some 20 per cent of the economy and, by the use it made of its fiscal powers as well as by selective direct controls, it established the long-sought "planned economy." The substantial edifice of the Welfare State, which had been slowly growing in Britain for over forty years, was enlarged and refurbished. At the same time, the Labor government proved itself equal to the complex managerial tasks it had assumed. The nationalized industries were, on the whole, operated with efficiency. Britain's postwar recovery was the soundest in Europe. Full employment was maintained and inflation kept within narrow limits—at least until the post-Korean rearmament boom. And over the span of years, the living standards of Britain's poorest citizens were substantially raised. (An indication of this vast economic upgrading was recently provided by B. Seebohm-Rowntree's and G. R. Lavers' study *Poverty and the Welfare State*; comparing living conditions in the city of York in 1936 with those in 1950, the authors conclude that a total of 31.1 per cent of the working-class inhabitants of York were below the

poverty line in 1936—and only 2.77 per cent in 1950.) The increasing redistribution of national income has penalized the well-to-do to about the same extent that it has favored the very poor. Given sufficient time, Britain's rapacious income tax—combined with drastic death duties—will whittle the great fortunes down to very modest hoards and prevent any sizable accumulations of new capital in private hands. Socialism-by-surtax has been a consequence of necessity as much as of dogma; it continues under a conservative government. It has hardly been an unmixed blessing.

As remarkable as the changes wrought by Labor has been the surprising ease of the operation. Back in the 30's, Harold Laski was not alone in arguing that if the Labor party was ever strong enough to legislate a socialist program, the Conservative opposition would probably resort to extra-parliamentary forms of resistance. At a time when constitutional governments were toppling on the Continent, this was regarded as realistic thinking. Without doubt, one of the Labor party's major achievements (as of Great Britain herself) has been to confound these gloomy forebodings. It proved the case for gradualist socialism even more emphatically than did the Scandinavian experience—for Sweden and Norway could always be regarded as "marginal" instances.

But how, indeed, explain the effortless manner in which the Labor party carried out its program? True, economic planning was easy to effect, for the Labor government had inherited a wide range of controls imposed during the war. As for Labor's measures of nationalization, Britain's experience highlighted a fact which had been insufficiently appreciated in the past: the first industries any socialist government would be likely to take over would be the inefficient and less profitable ones, in whose defense the capitalist community would hardly exert any extraordinary vigor. Such was the case until the Labor government reached iron and steel. In this instance, the Conservatives were preparing for a stiff fight—which the Laborites deftly limited by curbing the powers of the

House of Lords to hold up legislation passed by Commons.

But these considerations hardly suffice of themselves to explain the serenity of Britain's "cautious revolution." What Britain's Marxists had overlooked in the 30's was the fact that the Conservative community is just as much committed to democratic forms as the Laborites are. It was a mistake surely, to see British Tories as carbon copies of their Continental brethren; variations in national character and tradition make a profound difference. Even Laski, before his death, acknowledged that British democracy had a stability and flexibility which he had hardly foreseen in the mid-30's. His book *Reflections on the Constitution*, published posthumously, implicitly repudiates his former views: he spends an entire volume discussing a wide range of constitutional problems without ever referring to his earlier thesis that parliamentary institutions probably could not sustain the shock of widespread social reform.

IN THE course of attaining its goals, the Labor party found, however, that the semi-socialist economy, instead of evolving with facile inevitability into a socialist society, was beset by a host of built-in dilemmas. As these technical difficulties multiplied, the old socialist vision tended to recede. Where was that harmonious, good society in which the factory was transformed and the workman attained to a new, luminous dignity? Either the orators had lied or the bureaucrats had fumbled. In any case, the socialist militants could barely repress their dismay.

Let us run the range of Labor's new dilemmas. There is, to start with, the fact that it was confronted with a world it never made and whose conditions it didn't much relish. It found itself menaced on the international scene, not by "reaction," but by a totalitarianism that claimed exclusively to represent "true" socialism. It had to involve itself in a huge rearmament program—after years of clamoring for "butter instead of guns." It was compelled, willy-nilly, to recognize those very "imperial responsibilities" in the Near

and Far East it had always mocked. It found itself putting Communists in jail in Nigeria, Malaya, Malta—after having spent years denouncing the Tories for doing exactly that. Though Labor did not shirk its responsibilities in all this, it had no real stomach for the job. The icy waters of the cold war administered the first chill to socialist ardor.

In internal affairs, there was the problem of maintaining incentives for capitalists in a state run by socialists. These days, all factions in the Labor party are committed to some species of "mixed economy," as a hedge against the dangers of the omnipotent state, but many Laborites are ambivalent in their attitude toward the "private sector." They concede the value of a degree of private enterprise—but they also feel a profound emotional repugnance towards private profit. They want to retain a measure of capitalism but at the same time to ring it with infinite restrictions. To a large extent, the crux of the dilemma is taxes. You do not have the conditions for a dynamic capitalist sector when high corporate taxes make it difficult to start new ventures, and high personal taxes dampen incentives at the source. It is hard to see how you can retain capitalist organization without capitalist incentives. But that is just what some socialists seem to have in mind. Last summer, largely as a concession to the Bevan group, the Labor government proposed dividend limitation for three years. But the more irrepressible comrades were dissatisfied: they demanded that the limitation be made permanent.

An even more urgent concern of any socialist government is the inflationary pressure inevitably generated by a full-employment economy. Full employment puts the unions in a strategic position to bid wages up faster than any corresponding rise in labor productivity—a process which a prospering employer has little reason to oppose but which, if prevalent throughout the economy, is likely to cause an accelerating inflation. But how can a Labor government impose wage restraint? Its persuasive powers have a limited range of effectiveness, for a union must be diligent in pressing the claims of its

members lest it lose their allegiance to unofficial leaders of a more irresponsible temper—as has occurred in a number of wildcat strikes. On the other hand, a democratic socialist regime can hardly use compulsion without seeming to betray democracy.

The same problem is seen in other areas—for example, how to channel scarce manpower into vital industries. Today 500,000 essential jobs remain unfilled in England—solely for lack of applicants. At the same time, the distributive and service trades (including the football pools) are swollen with "redundant" personnel. For some years the Labor government had a labor-direction law on the books, but it was applied in only a handful of cases. Had it been invoked on a mass scale, the labor movement would have split on the issue. Theoretically, labor mobility can also be achieved by wage incentives, but here again a socialist government is limited by the hard facts of economic life: it cannot manipulate wage differentials beyond a certain level without adding to the inflationary pressures. No one has yet devised a formula to resolve these dilemmas; perhaps none can be devised.

AN EQUALLY ticklish problem, which Labor theoreticians had not anticipated, involves a necessary reorientation of the workers' attitude toward the boss. In the long run, Britain's economic health depends on a steady increase in productivity, which, at least in part, depends on the willingness of workers to work harder and more efficiently. To persuade the average workingman to such enlightened self-interest is a difficult task under any circumstances, but especially so for a socialist movement. For in the past, both the union militant and the party militant had been imbued with the psychology of the class war; their only concern was to squeeze the boss harder, not help him solve production problems. Today, by contrast, the worker is asked to cooperate with the boss in order that everybody, in the long run, will benefit. This reversal of attitude goes against the grain, and, with isolated exceptions, the various schemes for "joint con-

sultation" set up in industry since the war have scored no extravagant successes. This is true in nationalized plants as in private industry. In the nationalized railways, a Fabian Society study has pointed out, joint consultation is effective only in the higher echelons, and remains a mere formality on lower levels. In the coal mines—the first industry to be nationalized—the workers are generally as loath to cooperate with their new bosses as with the old. The fact that in many cases the new bosses *are* the old doubtless encourages this attitude.

This points to the basic difficulty the Labor party encountered once it was granted its old wish for the nationalization of wide stretches of the economy: propaganda over many decades had led its enthusiasts to believe that vast changes would impend once control was shifted from rapacious capitalists to the benign state. The average socialist might have been hazy about the specific marvels that would occur, but he had a real emotional stake in the expectation that life, somehow, would be wondrously different. Instead, nothing earth-shaking happened. Material conditions did significantly improve in the mines, to be sure, but for the average worker in the railroad roundhouse, or the electrical generating plant, life went on pretty much as before. The same foremen, the same managers, the same work routine—if the worker was "alienated" from his job before, his alienation has hardly been lessened. Nor did the nationalization of 20 per cent of the economy seem to affect the structure of society outside the factory. If this was socialism, the dreams of yesteryear had somehow been betrayed. Perhaps they had always been—only dreams. Nevertheless, their deflation was painful, and aggrieved cries were heard for "more socialism"—without any clear idea of what that entailed.

NONE of these issues figured explicitly in the October election; Labor simply stood on its record—while also seeking to present itself as the peace party and the Conservatives as the war party. In the end, more people voted for Labor's record than for the

Conservatives' promises, but the accidents of vote distribution gave the Conservatives a majority in the Commons.

Today, in opposition, Labor faces the urgent task of drafting a new program that can cope with the realities of Britain's hybrid economy and still engage the enthusiasm of the party stalwarts. But Labor has to do more than merely find solutions for a series of isolated technical problems. It needs a new approach, new rallying cries. The simple fact is that the old appeals are played out. People can no longer be aroused by hunger and economic injustice—for they have largely been eliminated. Nor can the Welfare State any longer fire men's passions, now that it has been established. As for public ownership, it has become about as exciting a subject as civil service reform in the United States. Despite this exhaustion of its old program, the Labor party can, of course, still fight and win elections—exploiting a Conservative government's mistakes, or rallying the faithful with some synthetic appeal, or merely playing on bitter memories of the 30's. But electoral success alone cannot exorcise the grave crisis of faith in which the party is plunged.

Labor's official pronouncements indicate scant awareness of its plight. Its new proposals have advanced little beyond the familiar orthodoxies. On the other hand, there has been a steady production of unofficial lectures, broadsides, and books—much of it under the auspices of the Fabian Society—that does give evidence of original thinking.

Proposals for the future differ in many details, but on at least one point there is agreement: the bloom is off nationalization as therapy for the nation's ills. No group in the Labor party any longer thinks in terms of taking over industry after industry until virtually the whole of the economy passes into public control—though some people do believe that a few more industries, such as chemicals and aircraft production, still ought to be socialized on the old pattern. This retreat from nationalization has a number of obvious causes: the fear that thoroughgoing socialism has a totalitarian potential; the

plain fact that many British industries are so intricately organized that it would be impossible to run them as nationalized monopolies; the dismay at the emergence of top-heavy bureaucracies and the fear that they repress the man-with-an-idea, whose freedom of action suddenly seems precious.

If socialism is not to come by nationalization, let it come on the heels of the tax collector! Such is the view of a number of Laborites who urge a renewed push towards economic egalitarianism. They argue that the income tax has greatly limited extremes in income, but not in property. True, death duties are already quite steep, but these modern Levelers maintain that over the last thirty years the increase in capital values has compensated for the increase in such taxation. What they want is a capital levy, which they argue for both in terms of abstract morality and as a practical measure to persuade workers to accept wage restraint in an inflationary period. But these people overlook one major long-term problem: if you threaten the business community with piecemeal expropriation (for the logic of one capital tax is always its repetition), how are you going to retain the monetary incentives necessary to the free sector of the economy? This does not mean that a capital levy would be unfeasible in all circumstances, but there is a major dilemma here that many socialists have not bothered to ponder—it is so much easier to get enthusiastic about soaking the rich.

THE more sober Laborites have devised another—and probably more realistic—path to the New Jerusalem: decentralized control. The new insistence on diffusing authority appears in many areas: in the resurgent claims of Scotch and Welsh nationalism, in the exhortations to Labor rank-and-filers to take up the chores of local government, and in the many new schemes to exercise social control over industry without centralizing all power in Whitehall. As far as industrial organization is concerned, the new plans have the virtue of encouraging wholesome competition, local initiative, and a kind of work-

shop democracy obviously absent in nationalized industry. The aim is, in the words of G. D. H. Cole, to “fling power and responsibility into many hands, to rely on the people throwing up their own leaders.” Cole, by the way, is as wise in these domestic prescriptions as he is absurd in his diagnosis of foreign affairs.

Much of the gospel of decentralization has already received the official imprimatur. In 1949, the Labor party went on record, for example, as favoring the socialization of individual firms in industries afflicted by monopoly or incapable of producing enough goods. The publicly owned company would freely compete with private enterprises, trying to spur them out of their sluggishness. It would be an honorable contest, in the best traditions of commercial sportsmanship. There was also a plan, announced in 1949, whereby the government would promote competitive small enterprise by leasing out buildings and equipment, as was done on a small scale in certain sections of the country where the Labor government sought to locate new industry. This scheme also called for a considerable increase in public financing—a kind of RFC for the little man. Because of Labor's slim majority after the February 1950 election, both these plans never got off the board.

In the current emphasis on decentralization it is only natural that the cooperatives are getting their innings. The cooperative movement marked time during Labor's term of office, its leaders going along with the government—until they discovered that further ventures in nationalization might threaten their preserves. There was a minor crisis in 1950, when the Labor party proposed the nationalization of industrial insurance, which endangered the cooperative insurance business, and in the end the Labor party changed its proposal from nationalization to mutualization. Meantime, the Fabian Society set the tireless Professor Cole to work on a new study, recently published as *The British Co-operative Movement in a Socialist Society*. Cole argues that while it was appropriate for the cooperatives to remain aloof from the

capitalist state, they should link arms with the socialist planners. His boldest proposal is for the government to finance an effort to turn large department and chain stores into cooperative enterprises—"Mutuals." The government would provide the money to take over the businesses; the customers would be paid dividends on purchases; and they would also be able to buy share capital, thereby reimbursing the government for its outlay. Consumer control would thus be extended to an area of the economy into which the existing cooperatives could hardly advance under their own power. If one thinks it an improvement for boards of directors to be elected by consumer-shareholders rather than non-consumer-shareholders, this proposal will commend itself, but just what the improvement will consist in, is not clear to the non-cooperative eye. And one is further inclined to ask: what is the advantage to a London longshoreman in owning a small piece of Selfridge's department store? One has to search further for the palpable feel of socialism.

Cole also wants producer cooperatives to share in the state's bounty. He suggests that the Cooperative Wholesale Societies and the trade unions jointly sponsor new ventures in industries, such as clothing and bootmaking, where small-scale operations are feasible. He wants the government to rent facilities to the new groups and, where necessary, advance capital and give them orders. This scheme, indeed, has a certain pertinence to the problem of introducing a socialist ethic into the factory, for a worker in a small producing co-op could have a real sense of participation. And it would also mark a step toward the realization of the syndicalist vision of an industrial society under "workers' control." Rather surprisingly, a number of cooperative leaders apparently agree with the main outline of Cole's plan.

EVEN with a sizable increase in cooperative organization, the capitalist sector of the economy would still bulk large. Here the Laborites still have a headache. They have to retain enough of the old incentives to

keep private industry dynamic, while simultaneously enforcing a pious social discipline on the capitalists and giving the workers a sense of "participation." It is a difficult, and in any ultimate sense, perhaps an impossible task, but some interesting ideas have been advanced.

In *The Future of Private Enterprise*, published last year, George Goyder suggests certain legal changes that would drastically alter the purpose of the "public company." (In American terms, a public company is a corporation whose stock is sold publicly.) Present-day boards of directors are solely concerned with their stockholders' welfare; Goyder would make them equally responsible to three other groups: workers, consumers, and community-at-large. He would legislate, in point of fact, a sense of responsibility that now exists only in the rhetoric of "enlightened" business. He wants, on each board, a "consumer director" and a "community director" who would be charged respectively with carrying out the company's obligations to these outside groups—and who would be subjected to searching questions by consumer and community busybodies at annual board meetings. He also wants the workers to be regarded, in a legal sense, as members of the company, with rights of representation on the board of directors. He proposes, also, that in the general articles of every public company there be a clause stating that any surplus funds left over after the payment of stipulated dividends and reserves be distributed for certain set purposes: bonuses for the workers, playgrounds for the community, and so on.

At first glance, it would seem as if Goyder were overwhelming a simple business enterprise with an impossible burden of public duties. But such would not be the case. The managers would still manage the firm, and their aim would be to make profits. Moreover, Goyder is opposed to statutory dividend limitation; thus adequate returns would be available to attract risk capital for new ventures. But such returns would be legally limited to fifty years, after which the stock would be redeemed out of a sinking fund.

It is fair to reward capital for past risks, says Goyder, "but that reward should not continue in perpetuity—any more than a worker is paid in perpetuity after his retirement from the company." After the original capital is retired, ownership would be in the hands of the workers and managers. But would even a fifty-year period be entirely fair, if a depression should cancel dividends for an extended time? And it is unclear what would happen if an old company wanted to float a new stock issue for expansion. These and other technical—but by no means minor—details aside, Goyder's "constitutional" approach offers some interesting possibilities for Labor's planners.

Austen Albu and Norman Hewett have also advanced novel designs in the same field. In their Fabian pamphlet *The Anatomy of Private Industry*, they urge distinctive policies for the "private" and "public" companies. (A private company is a corporation whose stock is closely held.) They argue that the private company—where the classic owner-manager is still to be found—is the only place left in the capitalist sector of the economy where initiative responds to the traditional incentive of a high rate of return. Hence, to maintain the enterprise of these true free-enterprisers, Albu and Hewett would deliver them not only from the threat of dividend limitation but also from onerous taxation. This is a sensible proposal, and, from socialists, rather courageous. The authors would, however, consider as private companies only those with ten stockholders or less, rather than fifty as at present—this in order that their reforms benefit only firms really managed by their owners.

As for the public companies, where ownership and management are largely divorced, they would impose a policy of drastic dividend limitation, on the theory that managers work efficiently even when stockholders get less money. (But their formula seems so drastic as thoroughly to dry up the sources of equity capital.) They would have government and worker representation on the boards of public companies (up to two-thirds of the memberships) and have surplus profits

paid over to a government-controlled investment corporation. The government would also finance new investment in private industry, where necessary. This whole set of proposals almost amounts to socialization in the name of private enterprise. It has to be evaluated as much in political as in economic terms: is it wise to vest this much power in the Board of Trade? Socialists newly fearful of the Irrepressible State are likely to back off in dismay.

THESE plans for constitutional reform of private industry still by-pass a crucial problem in any semi-socialist society: how are you going to change the worker's attitude—and his relation—to his job?

A few people in England have begun to realize that the factory is the great new uncharted frontier for socialist experiment, but the leaders of the Labor movement are not among them. The official policy of joint consultation has the formal assent of trade union leaders and company managers, but in most shops it is effectively sabotaged by hostility on both sides. Management, brought up in the old tradition, resents any sharing of responsibility—even if it makes the final decisions—and the workers' leaders cannot easily reorient their thinking to collaborate with men whom they will later have to fight over wage issues.

Even where both sides are eager to collaborate for the common good it is a painful process. The Tavistock Institute recently undertook an exhaustive study of union-management relations at the Glacier Metal Company, a light manufacturing firm, with some fifteen hundred employees, that has long been renowned for its progressive policies. The Tavistock findings—detailed in *The Changing Culture of a Factory* by Elliott Jaques—show the immense difficulties involved. When worker and management representatives would gather to discuss some technical matter, all sorts of hidden tensions, resentments, aggressions would impede a meeting of minds. The Tavistock team conducted what amounted to sessions in group therapy, helping the participants to "work

through" their problems. In the end, a number of reforms in payment systems and in the organizational structure of the factory were effected, but they involved an extraordinary effort. Could joint consultation be equally effective throughout British industry without thousands of "observer-participants" roaming the factories, psychoanalyzing managers, straw-bosses, and workers alike?

Moreover, joint consultation on matters ranging from canteen operations to production short-cuts hardly seems the whole answer to the problem of job alienation. For the consultative plan is carried out by delegated bodies, and the worker at the bench still remains uninvolved. Apart from occasional observations on the need to break down assembly-line isolation and promote group incentives, the British have come up with few ideas that could be immediately applied in their factories. This is less dismaying than the fact that only a few socialist theoreticians are even concerned with such problems. P. C. Gordon-Walker probably expresses the dominant view when he writes in *Restatement of Liberty*: "Once the State discharges on behalf of society the main social obligations that attach to wealth (i.e. introduces full social security), then industry, whether in public or private hands, can without scruple regard man at his place of work as economic man and nothing else." A socialism of economic men? A strange end to all the fervent years.

THESE varied proposals are no more than a beginning in Labor's ideological house cleaning. It is not surprising that the party moves cautiously—any political party is a sluggish body, encrusted with traditions, loyal to its pieties, loath to experiment boldly lest it fracture the delicate coalition whose

unity gives it power. It is usually afraid of ideas and acquires them slowly. But the whole history of British Labor over the past fifty years proves that ultimately the party wheel horses come to accept the most heretical notions. And what's more, they come to apply them.

Today, of course, the party's reorientation is made even more difficult by the need to discard emotional stereotypes that have long served it well. If it is going to operate a mixed economy, it cannot hold out the hope of an endless process of economic leveling. If it wants to mobilize all energies to expand production—Britain's only hope of escaping its economic squeeze—it cannot wave the red flag in the bosses' face. If it is going to rearm to resist Russian expansionism, it will have to slough off its semi-pacifist set of mind. If it is going to participate in plans for European defense, it will have to forego its "little Englandism." If it is going to fight Communism and chaos in the Middle and Far East, it will have to realize emotionally what it already admits tacitly: that the surrender of "imperialism" is no panacea.

Nor can British Labor any longer exploit the old illusion—so prevalent in the 30's, particularly among intellectuals—that socialist rule will suddenly transform the whole face of society and the soul of man. The truth, of course, is that the Labor party has no new culture to substitute for the old. Changes in the culture and character of British society are taking place, of course, but decades may pass before any basic alteration is evident.

On any trial balance, however, the Labor party's achievement remains impressive. If it is currently suffering from the exhaustion of success, few socialist parties can boast of the same ailment.